

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 27*
Committee Substitute Favorable 4/29/97

Short Title: Increase Penalty/Pyramid Schemes.

(Public)

Sponsors:

Referred to:

February 4, 1997

A BILL TO BE ENTITLED
AN ACT TO INCREASE THE PENALTY FOR THE ESTABLISHMENT OF
PYRAMID DISTRIBUTION PLANS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 14-291.2 reads as rewritten:

"§ 14-291.2. Pyramid and chain schemes prohibited.

(a) ~~Any~~ No person who shall establish, promote, operate or participate in operate, participate in, or otherwise promote any pyramid distribution plan, program, device or scheme whereby a participant pays a valuable consideration for the opportunity or chance to receive a fee or compensation upon the introduction of other participants into the program, whether or not such opportunity or chance is received in conjunction with the purchase of merchandise, shall be deemed to have participated merchandise. A person who establishes or operates a pyramid distribution plan is guilty of a Class H felony. A person who participates in or otherwise promotes a pyramid distribution plan is deemed to participate in a lottery and shall be is guilty of a Class 2 misdemeanor.

(b) 'Pyramid distribution plan' means any program utilizing a pyramid or chain process by which a participant gives a valuable consideration for the opportunity to receive compensation or things of value in return for inducing other persons to become participants in the program; and

1 'Compensation' does not mean payment based on sales of goods or services to persons
2 who are not participants in the scheme, and who are not purchasing in order to participate
3 in the ~~scheme~~; and scheme.

4 ~~'Promotes' shall mean inducing one or more other persons to become a participant.~~

5 (c) Any judge of the superior court shall have jurisdiction, upon petition by the
6 Attorney General of North Carolina or district attorney of the superior court, to enjoin, as
7 an unfair or deceptive trade practice, the continuation of the scheme described in
8 subsection (a); in such proceeding the court may assess civil penalties and attorneys' fees
9 to the Attorney General or the District Attorney pursuant to G.S. 75-15.2 and 75-16.1;
10 and the court may appoint a receiver to secure and distribute assets obtained by any
11 defendant through participation in any such scheme.

12 (d) Any contract hereafter created for which a part of the consideration consisted
13 of the opportunity or chance to participate in a program described in subsection (a) is
14 hereby declared to be contrary to public policy and therefore void and unenforceable."

15 Section 2. This act becomes effective December 1, 1997, and applies to
16 offenses committed on and after that date.